Lease No. 29370763

(5)

PAID UP OIL AND GAS LEASE

This Lease made this 21th day of **February, 2008** by and between ~~**Richard A. Morrell and**~~ **Catherine Morrell,** of **230 North Street, Horseheads, NY 14845** hereinafter called "Lessor" and **Anschutz Exploration Corporation, 555 17th Street, Suite 2505, Denver, Colorado 80202,** hereinafter called "Lessee".

WITNESSETH: That for and in consideration of One Dollar ($1.00), paid in hand by Lessee, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the premises, mutual covenants and agreements hereinafter set forth, the Lessor and Lessee agree as follows:

1. LEASING CLAUSE. Lessor hereby grants, leases and lets exclusively to Lessee all the oil and gas and their constituents, whether hydrocarbon or non-hydrocarbon, underlying the land herein leased, "the Leasehold", together with such exclusive rights as may be necessary or convenient for Lessee, at its election, to explore for, develop, produce, measure, and market production from the Leasehold, and from adjoining lands, using methods and techniques which are not restricted to current technology, including the exclusive right to conduct geophysical and other exploratory tests; to drill, maintain, operate, cease to operate, plug, abandon, and remove wells; to use or install roads, electric power and telephone facilities, and to construct pipelines with appurtenant facilities, including data acquisition, compression and collection facilities for use in the production and transportation of products from the Leasehold and/or from neighboring lands across the Leasehold, and such rights shall survive the term of this agreement for so long thereafter as operations are continued; to use oil, gas, and non-domestic water sources, free of cost; to operate, maintain, repair, and remove material and equipment.

2. DESCRIPTION. The Leasehold is located in the **Town(s)** of **Horseheads**, in the **County** of **Chemung**, in the State of **New York**, and described as follows:

Tax Map No(s): **59.05-3-26**
and is bounded substantially by lands now or formerly owned as follows:

On the North by: **Morrell**;
On the East by: **Pennsylvania Line LLC**;
On the South by: **Hamilton**;
On the West by: **North Street**;

and being lands conveyed to Lessor by deed or other Document, recorded in **552/935** of the records of said County and State, and described for the purposes of this agreement as containing a total of **.290** acres, whether actually more or less, and including contiguous lands owned by Lessor.

3. LEASE TERM. This Lease shall remain in force for a primary term of **five (5)** years from **February 21, 2008** (the "effective date") and for as long thereafter as prescribed payments are made, or for as long thereafter as operations are conducted on the Leasehold in search of or production of oil, gas, or their constituents, or for as long as a well capable of production is located on the Leasehold or lands pooled or unitized therewith, or for as long as extended by provision herein. If after the primary term the last producing well on the Leasehold or lands pooled or unitized therewith is plugged and abandoned, the Leasehold will remain under Lease for an additional period of one year from the date of plugging and abandonment, subject to the payment of delay rental.

4. EXTENSION OF PRIMARY TERM. Lessee has the option to extend the primary term of this Lease for one additional term of **five** (5) years from the expiration of the primary term of this Lease; said extension to be under the same terms and conditions as contained in this Lease. Lessee may exercise this option to extend this Lease if on or before the expiration date of the primary term of this Lease, Lessee pays or tenders to the Lessor or to the Lessor's credit an amount equal to the initial consideration given for the execution hereof. Exercise of this option is at Lessee's sole discretion and may be invoked by Lessee where no other alternative of the Lease Term clause extends this Lease beyond the primary term.

5. PAYMENTS TO LESSOR. Lessee covenants to pay Lessor, proportionate to Lessor's percentage of ownership, as follows:

(A) DELAY RENTAL: If operations for drilling are not commenced on the Leasehold or lands pooled or unitized therewith, or any part hereof, within ninety days from the effective date, Lessee shall, to continue this Lease in full force and effect, make payment to Lessor a Delay Rental at the rate of **Five** Dollars (**$5.00**) per net mineral acre per year, payments to be made annually or quarterly, at Lessee's option, until the commencement of a well. Delay Rental paid for time beyond the commencement date of Royalty payments shall be credited upon the Royalty payment. **The parties hereto agree that this is a Paid-Up Lease with no further Delay Rental and/or Delay in Marketing payments due to Lessor during the primary term hereof.**

(B) ROYALTY: To pay Lessor as Royalty, less all applicable taxes, assessments, and adjustments on production from the Leasehold, as follows:

1. OIL: To deliver to the credit of Lessor, free of cost, a Royalty of the equal **thirteen and one-half percent (13.5%)** part of all oil and any constituents thereof produced and marketed from the Leasehold.
2. GAS: To pay Lessor an amount equal to **thirteen and one-half percent (13.5)** of the net proceeds realized by Lessee from the sale of all gas and the constituents thereof produced and marketed from the Leasehold. Lessee may withhold Royalty payment until such time as the total withheld exceeds twenty-five dollars ($25.00).

(C) DELAY IN MARKETING: In the event that Lessee does not market producible gas, oil, or their constituents from the Leasehold, Lessee shall continue to pay Delay Rental until such time as marketing is established, and such payment shall maintain this Lease in full force and effect to the same extent as payment of Royalty.

(D) SHUT-IN: In the event that production of oil, gas, or their constituents is interrupted and not marketed for a period of six months, and there is no producing well on the Leasehold or lands pooled or unitized therewith, Lessee shall thereafter, as Royalty for constructive production, pay a Shut-in Royalty equal in amount and frequency to the Delay Rental until such time as production is re-established and said payment shall maintain this Lease in full force and effect to the same extent as payment of

Royalty. During Shut-in, Lessee shall have the right to rework, stimulate, or deepen any well on the Leasehold or drill a new well on the Leasehold in an effort to re-establish production, whether from an original producing formation or from a different formation. In the event that the production from the only producing well on the Leasehold or lands pooled or unitized therewith is interrupted for a period of less than six months, this Lease shall remain in full force and effect without payment of Royalty or Shut-in Royalty.

(E) SUSPENSE / ESCROW: Lessee shall be allowed to suspend and/or escrow royalty payments into an interest bearing account, pending the issuance of a Spacing Order by the appropriate Governmental Authority, or created by contract right, for any well drilled on the Leasehold or lands pooled or unitized therewith. This suspension and/or creation of an Escrow Account shall, for purposes of this Lease, be considered the Payment of Royalty.

(F) DAMAGES: Lessee will remove unnecessary equipment and materials and reclaim all disturbed lands at the completion of activities, and Lessee agrees to repair any damaged improvements to the land and pay for the loss of growing crops or marketable timber.

(G) MANNER OF PAYMENT: Lessee shall make or tender all payments due hereunder by check, payable to Lessor, at Lessor's last known address, and Lessee may withhold any payment pending notification by Lessor of a change in address.

(H) CHANGE IN LAND OWNERSHIP: Lessee shall not be bound by any change in the ownership of the Leasehold until furnished with such documentation as Lessee may reasonably require. Pending the receipt of documentation, Lessee may elect either to continue to make or withhold payments as if such a change had not occurred.

(I) TITLE: If Lessee receives evidence that Lessor does not have title to all or any part of the rights herein leased, Lessee may immediately withhold payments that would be otherwise due and payable hereunder to Lessor until the adverse claim is fully resolved.

(J) LIENS: Lessee may at its option pay and discharge any past due taxes, mortgages, judgments, or other liens and encumbrances on or against any land or interest included in the Leasehold; and Lessee shall be entitled to recover from the debtor, with legal interest and costs, by deduction from any future payments to Lessor or by any other lawful means.

(K) NOTICE: In the event Lessor considers that Lessee has not complied with any or all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing, via certified United States mail, setting out specifically in what respects Lessor considers Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said Lease for any cause, and no such action shall be brought by Lessor until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any act by Lessee aimed to meet all or any of the alleged breaches shall be an admission or presumption that Lessee has failed to perform all its obligations hereunder. It is agreed that this Lease shall never be forfeited or cancelled for Lessee's failure to perform, in whole or in part, any of its implied covenants, conditions, or stipulations, including payment of any rentals and royalties due under this Lease, until it shall have been first finally judicially determined that such failure exists, by a final order of a court of competent jurisdiction and after such final determination, Lessee is given a reasonable time therefrom to comply with any such covenants, conditions, or stipulations.

(L) CHARACTERIZATION OF PAYMENTS: Payments set forth herein are covenants, not special limitations, regardless of the manner in which these payments may be invoked. Any failure on the part of the Lessee to timely or otherwise properly tender payment can never result in an automatic termination, expiration, cancellation, or forfeiture of this Lease. Lessor recognizes and acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, can vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor hereby agrees that the payment terms, as set forth herein, and any bonus payments paid to Lessor constitute full consideration for the Leasehold. Lessor further agrees that such payment terms and bonus payments are final and that Lessor will not seek to amend or modify the lease payments, seek additional consideration or register any complaint based upon of any differing terms which Lessee has or will negotiate with any other lessor/oil and gas owner.

6. UNITIZATION. Lessor grants Lessee the right to pool, unitize, or combine all or parts of the Leasehold with other lands, whether contiguous or not contiguous, leased or unleased, whether owned by Lessee or by others, at a time before or after drilling to create drilling or production units either by contract right or pursuant to Governmental Authorization or Order. Such units will not exceed 640 acres (or such other size as allowed by the appropriate Governmental Authority). Where Lessee forms a unit by contract right, it may, at its' sole option, place of record, a copy of its Declaration of Unitization. Lessor shall be provided with notice of the formation of unit(s) as may be required under the Unitization Requirements of the appropriate Governmental Authority. Whether unit(s) are formed by contract right or by appropriate Governmental Authority, for all purposes of this Lease, the Leasehold shall be deemed to be unitized effective with the spud date of any well for which any portion of the Leasehold is finally determined to be included in the Unit(s) therefore. Lessee is granted the right to change the size, shape, and conditions of operation or payment of any unit created. Lessor agrees to accept and receive out of the production or the net proceeds realized from the production of such unit, such proportional share of the Royalty from each unit well as the number of Leasehold net acres included in the unit bears to the total number of acres in the unit; for such purposes, Lessee may, at it's option, definitively rely on the acreage calculations of the local property tax assessment authorities. Otherwise, drilling, operations in preparation for drilling, production, or shut-in production from the unit, or payment of Royalty or Delay Rental shall have the same effect upon the terms of this Lease as if a well were located on the Leasehold.

7. FREE GAS. Lessor reserves from one gas producing well located on the surface of the Leasehold and only for as long as commercial gas production exists from said well, two hundred fifty thousand (250,000) cubic feet of gas per year. Lessor permanently waives all rights to take physical possession of such reserved gas. Lessee agrees to pay once annually to Lessor, the cash value of such reserved gas at the average wellhead price received by Lessee, based upon seven eights ($7/8^{th}$) of gross proceeds received by Lessee for gas produced from the Leasehold or the Lessee's nearest gas production to the Leasehold, less taxes, gathering costs, dehydration costs, compression costs, deportation costs and/or any other costs whether necessary or incidental to the marketing of said gas. If Lessor conveys a portion of its interest in the leasehold, Lessor may convey this reserved gas (cash value) as part of such conveyance, but shall not subdivide such reserved gas (cash value).

8. FACILITIES. Lessee shall not drill a well within 200 feet of any structure located on the Leasehold without Lessor's written

consent. Lessor shall not erect any building or structure, or plant any trees within 200 feet of a well or within 25 feet of a pipeline without Lessee's written consent. Lessor shall not improve, modify, degrade, or restrict roads and facilities built by Lessee without Lessee's written consent.

9. TITLE AND INTERESTS. Lessor hereby warrants generally and agrees to defend title to the Leasehold and covenants that Lessee shall have quiet enjoyment hereunder and shall have benefit of the doctrine of after acquired title. Should any person having title to the Leasehold fail to execute this Lease, the Lease shall nevertheless be binding upon all persons who do execute it as Lessor. If this lease covers a lesser interest in the oil and gas, and their constituents, granted herein in all or any part of the Leasehold than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), or no interest therein, then the royalties and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein.

10. LEASE DEVELOPMENT. There is no covenant to develop the Leasehold within a certain time frame, and there shall be no forfeiture of the rights granted hereby based on any implied covenant to produce. Other provisions contained herein constitute full compensation for all of the rights and privileges herein granted.

11. FORCE MAJEURE. This Lease and its expressed or implied covenants shall not be subject to termination, forfeiture of rights, or damages due to failure to comply with obligations if compliance is prevented by acts of God, federal, state, or local law, regulation, or decree (including, expressly, consent decrees), or any circumstance reasonably beyond the sole control of Lessee.

12. CONTINUING OPERATIONS. If, at the expiration of the primary term of this Lease, there is no production of oil, gas or condensate on the Leasehold or lands pooled or unitized therewith, but Lessee is engaged in operations for drilling, reworking, plugging back or deepening a well thereon, this Lease shall remain in force and its term shall continue for so long as such operations or additional drilling, reworking, plugging back or deepening are prosecuted with no cessation of more than ninety (90) consecutive days and if any such operations result in the production of oil, gas or condensate covered hereby, as long thereafter as there is production from the Leasehold or lands pooled or unitized therewith, or the term of this Lease is otherwise extended by any of the provisions herein.

13. CESSATION OF PRODUCTION. If, within the primary term of this Lease, or any extension thereof, production of oil, gas or condensate on the Leasehold or lands pooled or unitized therewith shall cease, this Lease shall continue in force, and the Lessee may commence operations for drilling, reworking, plugging back or deepening of a well or may in lieu thereof commence or resume the payment of Delay Rentals on or before the anniversary date of the Effective Date of this Lease next following the 120th day after such cessation of production. If, after the expiration of the primary term of this Lease, or any extension thereof, production of oil, gas or condensate on the Leasehold, or lands pooled or unitized herewith, should cease, this Lease shall not terminate, provided that Lessee commences operations for drilling, reworking, plugging back or deepening a well within ninety (90) days from such cessation, and this Lease shall remain in force during the prosecution of such operations, and for so long as such operations are prosecuted with no cessation of more than ninety (90) days, and, if production of oil, gas or condensate results from such operations, then this Lease shall remain in force and effect for so long as production continues or operations are being conducted as herein provided, or the term of this Lease is otherwise extended by any of the provisions herein.

14. PREFERENTIAL RIGHT TO RENEW. If, at any time during the primary term hereof, or within one (1) year from the expiration, cancellation or termination of this Lease, Lessor receives an acceptable, bona fide third-party offer to lease the Leasehold, in whole or part, Lessor shall promptly provide the Lessee, in writing, of all of the verifiable particulars of such offer. Lessee shall have thirty (30) days from the receipt thereof to advise Lessor, in writing, of its agreement to match said third-party offer as to all terms and consideration; immediately thereafter, Lessor and Lessee shall take all cooperative steps necessary to effectuate the consummation of said transaction and the survival of said transaction through any statutorily mandated right of cancellation thereof. Any lease or option to lease the Leasehold, in whole or part, granted by Lessor in contravention of the purposes of this paragraph shall be deemed null and void.

15. ENTIRE CONTRACT. The entire agreement between Lessor and Lessee is embodied herein. No oral warranties, representations, or promises have been made or relied upon by either party as an inducement to execute or modify this Lease.

16. SURRENDER. Lessee may surrender and cancel this Lease as to all or any part of the Leasehold by recording a Surrender of Lease, and if a partial surrender, the Delay Rental provided in the PAYMENTS clause shall be reduced in proportion to the acreage surrendered.

17. SUCCESSORS. All rights, duties, and liabilities herein benefit and bind Lessor and Lessee and their heirs, successors, and assigns.

The parties hereto agree Lessee shall not have the right to drill well(s), construct pipeline(s), construct access road(s) and/or install any other facility(ies) on the herein described leased premises, it being the intent this lease is granted for unitization purposes only. It is expressly understood and agreed, however that Lessee shall have the exclusive right to conduct geophysical testing on the herein described leased premises by virtue of rights contained in the granting clause.

IF THIS LEASE BECOMES FORFEITED, TERMINATED OR EXPIRES, THE LESSEE, OR IF THE LEASE HAS BEEN ASSIGNED, THE ASSIGNEE, IS REQUIRED TO PROVIDE A DOCUMENT CANCELING THE LEASE AS OF RECORD, AT NO COST TO THE CURRENT LAND OWNER. IF THE LESSEE OR ASSIGNEE FAILS TO CANCEL THE LEASE, THE CURRENT LANDOWNER MAY COMPEL A CANCELLATION PURSUANT TO SECTION 15-304 OF THE GENERAL OBLIGATIONS LAW.

NOTICE TO LESSOR:

THIS IS A LEASE OF OIL AND GAS RIGHTS, NOT A SALE, CONTAINING TERMS THAT MAY BE NEGOTIATED BY YOU. YOU HAVE THE RIGHT TO CANCEL THIS LEASE WITHIN THREE BUSINESS DAYS AFTER EXECUTION OF THE LEASE BY NOTIFYING THE LESSEE THAT YOU HAVE CANCELED THIS CONTRACT. IN ORDER TO CANCEL THIS LEASE, YOU MUST EXECUTE A NOTICE OF CANCELLATION IN THE FORM PROVIDED BELOW, MAIL IT TO THE LESSEE AND REFUND ALL AMOUNTS PAID TO YOU BY THE LESSEE WITHIN THE THREE-DAY CANCELLATION PERIOD. THE MAILING MUST BE POSTMARKED WITHIN THE THREE-DAY CANCELLATION PERIOD TO BE EFFECTIVE.

NOTICE OF CANCELLATION

_____ **, I/WE HEREBY CANCEL THIS LEASE.**

DATED: _____

SIGNATURE(S): _____ _____

THE PERSON PRESENTING THIS LEASE TO YOU IS (__X__) NOT (_____) A MEMBER OF NORTHERN APPALACHIAN LANDMAN'S ASSOCIATION AND THEREFORE IS (__X__) IS NOT (___) SUBJECT TO A CODE OF CONDUCT. IF THE PERSON PRESENTING THIS LEASE TO YOU IS SUBJECT TO A CODE OF CONDUCT, A COPY OF THE CODE OF CONDUCT MUST BE PRESENTED TO YOU WITH THIS LEASE. IF APPLICABLE, THE CODE OF CONDUCT PROVIDES A DISPUTE RESOLUTION MECHANISM FOR ANY DISPUTE THAT YOU MAY HAVE REGARDING THE MANNER BY WHICH THIS LEASE WAS PRESENTED TO YOU. IF YOU HAVE ANY SUCH DISPUTE, YOU MAY INVOKE THE DISPUTE RESOLUTION MECHANISM OF THE CODE OF CONDUCT BY CONTACTING THE PERSON OR PERSONS DESIGNATED IN THE CODE OF CONDUCT. THE FAILURE OF THE LESSEE TO PAY ANY ROYALTIES TO YOU AS REQUIRED UNDER THE TERMS OF THE LEASE FOR A PERIOD OF FOUR CONSECUTIVE MONTHS OR MORE SHALL BE A DEFAULT UNLESS OTHERWISE PROVIDED BY LAW, AND WILL RESULT IN CANCELLATION OF THE LEASE APPLICABLE TO THE TARGET FORMATION OF THE WELL WITHIN THE SPACING UNIT, FOLLOWING WRITTEN NOTIFICATION TO THE LESSEE OF YOUR INTENT TO CANCEL AND SIXTY DAYS FOR THE LESSEE TO CURE THE DEFAULT. IF THE LESSEE HAS A BONA FIDE DISPUTE REGARDING THE GROUNDS FOR CANCELLATION, SUCH DISPUTE AND THE REASONS THEREFOR MUST BE PROVIDED TO YOU IN WRITING OR THE DEFAULT MUST BE CURED WITHIN SUCH SIXTY DAY PERIOD, OTHERWISE THE LEASE SHALL BE CANCELLED.

IN WITNESS WHEREOF, and intending to be legally bound, Lessor hereunto sets hand and seal.

WITNESS:	LESSOR:
_____	Deceased **Richard A. Morrell**
_____	Catherine Morrell **Catherine Morrell**
_____	_____
_____	_____

ACKNOWLEDGEMENT

State of _____:

County of _____:

On _____ before me, the undersigned, a Notary Public in and for said State, personally appeared **Richard A. Morrell**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

My commission expires _____

Signature / Notary Public _____

Name / Notary Public (print) _____

ACKNOWLEDGEMENT

State of New York:

County of Chemung:

On May 1, 2008 before me, the undersigned, a Notary Public in and for said State, personally appeared **Catherine Morrell**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

My commission expires June 27, 2009

Signature / Notary Public Donna A. Hartsock

Name / Notary Public (print) Donna A. Hartsock

DONNA A. HARTSOCK
NOTARY PUBLIC, STATE OF NEW YORK
QUALIFIED IN CHEMUNG COUNTY NO. 01HA6129548
MY COMMISSION EXPIRES JUNE 27, 20 09

When recorded return to: Anschutz Exploration Corporation, 555 17th Street, Suite 2400, Denver, CO 80202